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China, Peoples Republic of

Grain and Feed

Rice Update

2004

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Report Highlights:

China's average domestic rice price has risen about 50% compared with fall 2003 due to reduced supply and transportation bottlenecks in Northern China. In response to the price increase, the government started auctioning Northern rice stocks. As a result of the particular shortage of rice in the south, China's rice imports in 2004 are forecast to reach 1 MMT, above post's previous estimate of 270,000 MT. China's total rice consumption remains constant as rising incomes lead to more consumption of meats and oil. The following report revises the PSD table submitted in post's most recent Grain and Feed Report (CH4005).

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Beijing [CH1]
[CH]

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Production

China's rice production during MY2004 is estimated at 115.5 MMT, a slight revision downward from the February annual grain and feed report. Rice remains a critical food grain in China. After the country's total grain production fell last year to the lowest level in more than a decade, China announced it would implement new policies to encourage higher production including: 1) reducing or eliminating the agricultural tax in 13 major production provinces, 2) expanding acreage to be covered by subsidized, high-quality seed and 3) increasing the subsidy to farmers who purchase farm machinery and other equipment.

For the first time since 1998, the government recently announced it would set a price floor in rice producing regions by offering RMB 1,400/MT for early paddy rice varieties. The average market price for paddy rice at the beginning of last year's harvest was about RMB 900/MT and that price has risen to about RMB 1,600/MT. The production of early rice accounts for about 20% of the nation's total rice output.

During 2005, total rice acreage for both early and late paddy is forecast to increase by about 5%. This increase is not as high as the forecast for cash crops such as oilseeds and cotton.

Stocks

China's total rice stock levels are forecast to continue falling during 2004 and 2005. Post estimates rice stocks during 2004 at 46.8 MMT (milled basis), below the 2003 figure of 66.9 MMT, and the level will fall further next year. National rice stock numbers, like all other grains, are a protected state secret. Despite the continued decline in stocks, trade sources indicate the levels are sufficient to meet demand.

According to trade contacts, the supply shortfall in the southern coastal regions is partly due to transportation bottlenecks of rice and corn moving from surplus to deficit regions. More than half of China's grain moves through the country on rail, according to state media reports. But the system's capacity has not kept pace with the nation's bustling demand and movement of bulk commodities including grain and industrial products. China's over-burdened rail system is expected to remain a constraint in the near future.

To reverse the 50% spike in domestic rice prices compared with last fall, during March 2004 the government auctioned 1 MMT of paddy, Japonica variety rice. The auctioned rice was reported to be from older crops following years of storage. Auctions will likely continue until China's new rice crop is available after June 2004.

During the past several months the provincial governments have tried to expand rice reserves in southern coastal regions. This increased demand for rice partially contributed to China's domestic price increase.

Consumption

China's per capita rice consumption has remained flat in recent years, particularly in the urban areas. Rising incomes in the cities are leading to increased consumption of meat and oils. But nation-wide rice consumption declines are offset by China's gradual population growth and increased demand in the poorer countryside where consumers are shifting from tubers and coarse grain to rice. In recent years the gradual growth in rice consumption has outpaced domestic production leading to rice imports from Thailand and Vietnam.

Trade

China's rice imports in 2004 are forecast at one MMT, an increase from the previous estimate of 270,000 MT (see CH4005) as the result of reduced stocks and last year's drop in production. On the export side, post revised the forecast from 1.5 MMT to 1.2 MMT during 2004 as a result of China's reduced rice supply situation.

During March 2004, China significantly increased imports of Thai white rice and border traded white rice from Vietnam. During the first three months of 2004, post estimates China contracted about 500,000 MT of white rice from Thailand; some has already been shipped. Imports of Thai white rice and fragrant rice will continue in the second half of the year, but at a more normal pace. China's domestic rice price fell the last week of March in response to government rice auctions. Rising freight rates and rice prices also made Thai rice less competitive in China.

Trade sources estimate that an additional 250,000 MT of unregistered Vietnamese rice entered China or was contracted in the first three months of 2004. Because there is no protocol on quarantine, rice imports from Vietnam are not included in official Chinese import statistics. The import data in this report is based on official statistics and therefore only includes imports from Thailand. China's actual rice imports are likely higher.

Looking ahead to 2005, post forecasts China's total rice production will recover, that imports will rise slightly and that exports will remain stable. Rice stock levels will continue declining.

PSD Table

PSD Table							
Country	China, Peoples Republic of						
Commodity	Rice, Milled				(1000 HA)(1000 MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2003		01/2004		01/2005	MM/YYYY
Area Harvested	28200	28200	27100	27070	0	28400	(1000 HA)
Beginning Stocks	82167	82071	67222	66910	46472	46810	(1000 MT)
Milled Production	122180	122180	115000	115500	0	121800	(1000 MT)
Rough Production	174543	174543	164286	165000	0	174000	(1000 MT)
MILLING RATE (.9999)	7000	7000	7000	7000	0	7000	(1000 MT)
TOTAL Imports	258	259	750	1000	0	1200	(1000 MT)
Jan-Dec Imports	258	259	750	1000	0	1200	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	204605	204510	182972	183410	46472	169810	(1000 MT)
TOTAL Exports	2583	2600	1500	1200	0	1200	(1000 MT)
Jan-Dec Exports	2583	2600	1500	1200	0	1200	(1000 MT)
TOTAL Dom.	134800	135000	135000	135400	0	135700	(1000 MT)
Ending Stocks	67222	66910	46472	46810	0	32910	(1000 MT)
TOTAL DISTRIBUTION	204605	204510	182972	183410	0	169810	(1000 MT)

Price Table

China's Average Retail Rice Prices		
(Renminbi Per Metric Ton, USD 1.00 = RMB 8.27)		
	Milled Indica	Milled Indica
National Average	Grade 1	Grade 1
	Producing Region/1	Consuming Region/2
January (2003)	1,450	1,580
February	1,430	1,630
March	1,440	1,600
April	1,440	1,620
May	1,440	1,600
June	1,440	1,610
July	1,440	1,600
August	1,470	1,590
September	1,480	1,590
October	1,490	1,610
November	1,640	1,770
December	1,870	1,850
January (2004)	1,990	1,900
February	2,100	2,060
March	2,490	2,240
/1 Zhejiang, Anhui, Fujian		
/2 Guangdong, Guangxi		
Source: China National Grain and Oils Information Center		